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Message Text

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62
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 IGA-01 /017 W
---------- 001259
R 121638Z MAY 75
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 8562

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E.O. 11652: NA
TAGS: EAID, CO
SUBJECT: USAID LOAN DISBURSEMENT PROCEDURES

FOR ARA ASST SEC ROGERS AND ARA/LA HERMAN KLEINE FROM AMBASSADOR

REF: A) STATE 101565 B) BOGOTA 4171

1. THE AID/W PROPOSED TACTICS FOR DEALING WITH WHAT ADMITTEDLY HAS BEEN A LONG-STANDING AND FRUSTRATING PROBLEM OF USAID DISBURSEMENTS (REFTEL A) THREATHENS TO CONVERT THIS MATTER INTO A SERIOUS POLITICAL IRRITANT WHICH COULD EVEN RISK THE CONTINUATION OF THE AID PROBLRM HERE. REFTEL B EXPLAINED THE BACKGROUND AND TECHNICALITIES OF THE ISSUE.
2. UNQUESTIONABLY, RECENT HANDLING OF USAID DISBURSEMENTS HAS BEEN POOR. THE ISSUE HAS EXISTED FOR YEARS, SINCE WE STARTED SECTOR LENDING; THE PROBLEM UNFORTUNATLY INVOLVES COMPLEX LEGAL AND BUREAUCRATIC PECULIARITIES OF THE GOC BUDGET SYSTEM WHICH COMPLICATES EFFORTS TO RESOLVE IT. THE PROBLEM WAS RECENTLY EXACERBATED BY AN OVERALL POLITICAL ISSUE INVOLVING THE CONTROLLER GENERAL OVER WHICH THE EXECUTIVE BRANCH HAS NO CONTROL AND CANNOTSETTLE ADMINISTRATIVELY (BOGOTA 2765).
3. THERE ARE TWO DIMENSIONS TO THIS BASIC ISSUE A) THE "FLOAT" PROBLEM, I.E. THE EXISTENCE OF AID BALANCES THAT HAVE NOT BEEN DISBURSED; AND B) THE QUESTION OF DIVISING A NEW DISBURSEMENT PROCEDURE THAT WILL AVOID PERPETUATING THE "FLOAT" PROBLEM IN THE FUTURE.
4. AS TO THE FIRST, CONSIDERABLE PROGRESS HAS BEEN MADE IN ELIMINATING THE CURRENT FLOAT. IT IS NOW DOWN TO THE EQUIVALENT
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OF ONE MILLION DOLLARS AND THE GOC HAS PROMISED TO ELIMINATE

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THIS SMALL BALANCE IN A MATTER OF DAYS. WE HAVE PUSHED THE
GOC HARD ON THIS ISSUE FOR MONTHS, AND THEY HAVE TRIED WITHIN
THE COMPLEXITIES OF THEIR SYSTEM TO SETTLE THE ISSUE. THEY HAVE
MADE INTERNAL IMPROVEMENTS IN THE BUDGETARY SYSTEM; THEY HAVE
REDUCED THE FLOAT; THEY HAVE PROMISED AT HIGH LEVELS THAT THEY
WOULD MAKE EVERY EFFORT TO AVOID A RECURRENCE OF THE "FLOAT"
PROBLEM.
5. NOW THAT THE FLOAT PROBLEM APPEARS DE MINIMUM IN THEIR
EYES, WASHINGTON IS REQUESTING VIRUTALLY A DEMARCHE ON THIS
ISSUE. WE HAD TOLD THE GOC THAT WHEN THE FLOAT WAS ELIMINATED
WE WOULD RESUME DISBURSEMENTS. NOW WASHINGTON SAYS THAT THIS
IS NOT ENOUGH--WE MUST ALSO FORMALLY NEGOTIATE NEW PROCEDURES
AND APPLY THEM RETROACTIVELY.
6. I AM AWARE THAT AID/W'S MAJOR CONCERN IS WITH NEW DISBURSEMENT
PROCEDURES TO AVOID PERPETUATING THE FLOAT PROBLEM, AND THAT THE
TACTICS WE HAVE BEEN INSTRUCTED TO FOLLOW IN REFTEL A ARE
DESIGNED TO PROVIDE LEVERAGE TO FORCE THE GOC TO SETTLE
THE PROBLEM. LET ME MAKE CLEAR THAT MY OBJECTION IS
ONLY TO THE PROPOSED TACTICS, NOT TO THE GOAL OF IMPROVING
THE DISBURSEMENT PROCEDURES, AN OBJECTIVE I WHOLDHEARTEDLY
SHARE. THE PROBLEMS ARE THE FOLLOWING: A) THE STRICT REIM-
BURSEMENT TECHNIQUE WHICH REFTEL A SAYS IS THE ONLY "REASONABLE
ALTERNATIVE" SUGGESTED BY THE HISTORY OF THE ISSUE MAY IN
FACT BE ILLEGAL IN COLOMBIA. AT LEAST THE GOC TELLS US IN
WHAT I BELIEVE TO BE GOOD FAITH THAT THERE ARE GENUINE
LEGAL AND PERHAPS EVEN CONSTITUTIONAL OBSTACLES TO HIS
ALTERNATIVE AND THAT THEY HAVE TO STUDY THESE ASPECTS. TO
INSIST ON IT BY CARRYING OUT THE INSTRUCTIONS IN REFTEL A
WILL NOT ONLY PUT THE NEGOTIATIONS INTO AN IMPASSE, BUT WILL
PUT US IN THE POSITION OF INSISTING THAT ANOTHER GOVERNMENT
DO SOMETHING ITS INTERNAL PROCESSES WILL NOT ALLOW, SOMETHING
WE HAVE COMPLAINED THAT OTHER NATIONS OFTEN DO TO US, E.G.
TRADE ACT. SECONDLY, GIVEN THE PERSONALITIES OF THE KEY
INDIVIDUALS AND THE NATIONALISTIC SENTIMENTS THAT DO PREVAIL
HERE, THE GOC WILL NOT REACT WILL TO PRESSURE TACTICS. WE
WILL THUS CREATE SERIOUS PERSONAL AND RELATIONSHIP ANTAGONISMS.
THIRDLY, THE AID PROGRAM IS NOW SO SMALL THAT IR REALLY DOES
NOT HAVE THAT MUCH LEVERAGE. THEREFORE ALL WE MAY ACHIEVE
IS SIMPLY A CONCLUSION BY THE GOC THAT IS IS NOT WORTH THE
ADMINISTRATIVE BURDENS AND POLITICAL IRRITANTS THAT ARE PROVIDED.
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(THE SECTOR LOAN APPROACH SUFFERED SERIOUS ADMINISTRATIVE
AND BUDGETARY PROBLEMS, AND, LARGELY FOR THESE REASONS,
USAID HAS DEAUTHORIZED OR DEOBLIGATED APPROVED PROGRAMS BY
NEARLY $80 MILLION IN THE PAST YEAR OR SO. IN THE PAST TWO
FISCAL YEARS, NET AID OBLIGATIONS HAVE ACTUALLY BEEN NEGATIVE,
AND BY A SUBSTANTIAL AMOUNT).
7. ON MAY 9, BILL ELLIS AND I HAD A FRANK TALK WITH THE
MINISTER OF FIANCE. IDESCRIBED THE PROBLEM, EXPLAINED OUR

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NEEDS, AND PROVIDED THE MINISTER WITH A MEMO OUTLINGING THE HISTORY, THE PROBLEMS AND OUR PORPOSED SOLUTIONS, HE SAID HE WANTS TO SOLVE THE PROBLEM, AND HE PROMISED TO HAVE HIS PEOPLE PROVIDE US BY THE END OF NEXT WEEK WITH AN EXPLANATION OF THE LEGAL AND CONSTITUTIONAL IMPEDIMENTS AND WITH SUGGESTIONS AS TO HOW WE CAN ACCOMMODATE TO THEM. IN PARTICULAR HE PROMISED TO STUDY A PROPOSAL WE HAVE MADE, AD REFERENDUM TO WASHINGTON, WHICH WE BELIEVED WILL BE EFFECTIVE.

8. IN VIEW OF MY DEALINGS WITH THE MINISTER, I STRONGLY RECOMMEND THAT WE BE ALLOWED TO CONTINUE OUR DISCUSSIONS ON THIS ISSUE, SEEKING A COMPROMISE SOLUTION SATISFACTORY TO BOTH GOVERNMENTS, RATHER THAN THE "ULTIMATUM"TACTICS OF REFTEL. THIS WILL REQUIRE THE RELAXATION OF THE "DEADLINE" POSTURE AID/W SEEMS TO HAVE TAKEN, AND MAY TAKE A LITTLE TIME. BUT IT WILL BE IN THE LONG-RUN INTEREST OF OUR RELATIONS WITH COLOMBIA AND OF THE DEVELOPMENT PROGRAM TO DO SO. I THEREFORE VERY STRONGLY SUPPORT THE COUNTER-PROPOSAL OF TACTICS OUTLINED IN REFTEL B, AND IN PARTICULAR, RECOMMEND THAT WHEN THE CURRENT "FLOAT" IS ELIMINATED THAT WE RESUME DIS-BURSEMENTS AGAINST EXISTING, ELIGIBLE LOANS (069 AND 073).
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